Pearson BTEC Level 3 Nationals

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Learner Registration Number

Time 2 hours

Paper reference **31463H**

Business/Enterprise and Entrepreneurship

UNIT 3: Personal and Business Finance

You must have:
Calculator

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and learner registration number.
- Answer **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need*.
- Show your working when requested.

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question*.
- There are two sections: Section A, Personal Finance and Section B, Business Finance.
- You may use a calculator.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Personal Finance

Answer ALL questions. Write your answers in the spaces provided.
You should spend up to 45 minutes on this section.

1 Give **two** advantages to the consumer of having a basic current account.

1 .....

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2 .....

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(Total for Question 1 = 2 marks)

2 Give **two** ways a consumer can maintain a good credit rating.

1 .....

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2 .....

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(Total for Question 2 = 2 marks)

3 Identify **two** features of a standing order as a method of payment.

1 .....

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2 .....

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(Total for Question 3 = 2 marks)

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4 Explain **two** advantages to the consumer of using mobile banking.

1 .....

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2 .....

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(Total for Question 4 = 4 marks)

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Personal attitudes towards the role of money will be different depending on a person's life stage.

5 Discuss the personal attitudes of people in young adulthood towards **borrowing** and **saving** money.

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(Total for Question 5 = 6 marks)

Tomohisa has a young family. A friend has advised him to consider getting life insurance. The insurance would help to cover the costs of his mortgage and bills if Tomohisa became ill and could not work. The insurance policy would also pay out a lump sum if Tomohisa died.

Tomohisa has researched the following life insurance providers.

Insurance provider	**Annual cost**	**Online approval**	**Critical illness cover paid out on diagnosis***	**Lump sum paid out on death**
Westshire Insurance	£262	No (medical examination is required)	Up to £35 000	£200 000
Ashridge Insurance	£205	Yes	Up to £10 000	£170 000
Shirevale Insurance	£188	No (medical examination is required)	Up to £15 000	£180 000
The Royal Insurance	£89	Yes	Up to £6 000	£90 000

*Critical illness cover will insure the policy holder against a number of illnesses that can be life changing.

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6 Evaluate which life insurance provider would be the best for Tomohisa.

(12)

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(Total for Question 6 = 12 marks)

TOTAL FOR SECTION A = 28 MARKS

SECTION B

Business Finance

Answer ALL questions. Write your answers in the spaces provided.
You should spend up to 75 minutes on this section.

7 Identify **two** labels used on a break-even chart.

1 .....

.....

2 .....

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(Total for Question 7 = 2 marks)

8 Explain **one** advantage to a business of using hire purchase as a source of finance.

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(Total for Question 8 = 2 marks)

9 Describe why using the reducing balance method of depreciation might be more appropriate for some assets such as vehicles.

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(Total for Question 9 = 2 marks)

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Lin owns a business called *Lin's Luggage*. The business makes and sells high quality suitcases to retailers around the UK. Lin wants to complete a statement of comprehensive income based on the extra information shown below.

Additional information

1 Equipment is to be depreciated using the straight line method at a rate of 10% per annum. The net book value (NBV) is £16 200 and the equipment originally cost £18 000.

2 Vehicles are to be depreciated using the reducing balance method at a rate of 25% per annum. The net book value (NBV) is £36 000 and the vehicles originally cost £48 000.

3 The wages figure, £243 300, does not include an accrual of £9 000 that was still owing at the end of the financial year.

4 The utility bills figure of £18 800 includes a prepayment of £700 for the year ended 31 March 2021.

5 The rent payable increased by 5% on last year's figure of £17 000.

6 Commission received is expected to be 10% lower than last year's figure of £4 000.

Workings box

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10 (a) Complete the extract from the statement of comprehensive income for the year ended 31 March 2020. The extract starts at **gross profit**.

Lin's Luggage
Extract from the statement of comprehensive income for the year ended 31 March 2020

	£	£	
Gross profit		326 000	
Commission received		(i)	**(1)**
		(ii)	**(1)**
Expenses			
Rent payable	(iii)		**(1)**
Utility bills	(iv)		**(1)**
Wages	(v)		**(1)**
Depreciation of equipment	(vi)		**(1)**
Depreciation of vehicles	(vii)		**(1)**
Total expenses		(viii)	**(1)**
Profit for the year		(ix)	**(1)**

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Lin wants to increase the profitability of *Lin's Luggage*. She thinks she should sell the vehicles that the business uses to deliver the suitcases to her customers. She thinks the vehicles are worth £43 000, which is more than the net book value of £36 000. She is considering whether selling the vehicles would be a good idea to boost profitability.

(b) Discuss whether *Lin's Luggage* should sell the business' vehicles to boost profitability.

(6)

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(Total for Question 10 = 15 marks)

Anna owns a business called *Anniematronics*. The business makes and sells high quality puppets for use in children's TV programmes. Anna wants to calculate some ratios to measure the financial performance of the business. She has given you the following extract of financial information.

Extract of financial information

	£
Current assets	40 296
Current liabilities	5 210
Gross profit	365 730
Profit for the year	24 382
Sales revenue	487 640

11 (a) Using the extract of financial information given above, calculate the following ratios:

(i) Calculate the **current ratio**.

(2)

Show your workings.

(ii) Calculate the **mark-up ratio**.

(3)

Show your workings.

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(iii) Calculate the **profit margin ratio**.

(2)

Show your workings.

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Anniematronics has an authorised overdraft facility for £10 000. Anna wants to avoid using this overdraft facility if possible. She has prepared a cash flow forecast for the next six months to help manage the business's finances. However, the forecast is incomplete.

(b) (i) Complete the outlined boxes labelled (i) to (iv) in the cash flow forecast for *Anniematronics* for the six months ended 30 September 2021.

(4)

Cash flow forecast of *Anniematronics* for the six months ended 30 September 2021

	Apr	May	Jun	Jul	Aug	Sept
	£	£	£	£	£	£
Opening balance	(i)	(ii)	(9 883)	9 435	(3 489)	19 797
Inflows						
Credit sales*	101 484	41 167	95 757	61 064	96 685	44 605
Total inflows	101 484	41 167	95 757	61 064	96 685	44 605
Outflows						
Cash purchases	63 463	69 954	67 464	65 346	64 657	64 443
Drawings	8 000	8 000	8 000	8 000	8 000	8 000
Other expenses	357	674	975	642	742	1 889
Total outflows	71 820	(iii)	76 439	73 988	73 399	74 332
Net cash flow	29 664	(37 461)	(iv)	(12 924)	23 286	(29 727)
Closing balance	27 578	(9 883)	9 435	(3 489)	19 797	(9 930)

* All of *Anniematronics'* sales are on 90 days' credit.

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(ii) Analyse how *Anniematronics* could improve its cash flow to try to avoid using the overdraft facility.

(8)

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Karpet-time is a leading television production company that makes children's TV programmes. It has noticed the growing popularity of the TV shows that use *Anniematronics'* puppets. *Karpet-time* wants to place an initial order of 100 puppets, but it only wants to pay £180 for each puppet. This order could lead to more orders in the future. However, *Anniematronics* staff are already working at capacity to complete orders from existing customers and a new machine adding £2500 to Fixed Costs would need to be purchased if Anna were to accept the Karpet-time order.

Anna can make the products for a variable cost of £135 per puppet and *Anniematronics* typically sell their puppets for £235 per puppet.

(c) Evaluate whether or not *Anniematronics* should accept the *Karpet-time* order.

(12)

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(Total for Question 11 = 31 marks)

TOTAL FOR SECTION B = 52 MARKS
TOTAL FOR PAPER = 80 MARKS

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